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DEPT FOR ISN/C, NEA/IR

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TAGS: [EFIN](#) [KNNP](#) [PARM](#) [IR](#) [FR](#)
SUBJECT: FRANCE: U/S LEVEY DISCUSSES NEXT STEPS ON IRAN

Classified by Economic Counselor Stuart Dwyer for reasons 1.4
(b) and (d)

¶1. (S) Summary: In July 10 - 11 meetings with Elysee, GOF and Banque de France officials, Treasury U/S Stuart Levey, ISN A/S John Rood and accompanying delegation pressed France to consider ratcheting up pressure on Iran by targeting the Islamic Revolutionary Guard Corps (IRGC), entities it controls and banks that it uses. Interlocutors at the MFA, and Elysee in particular, were receptive to moving aggressively, though it was suggested that focusing on proliferation-related arguments, rather than terrorism-related activities in Afghanistan and Iraq, would be more effective with other EU partners and the Russians. U/S Levey and A/S Rood also signaled that the U.S. is considering additional designations related to Iranian support for terrorism under U.S. domestic authorities. The GOF expressed no negative reaction to possible U.S. action against IRGC and the IRGC-Qods Force, nor did the French disagree with the importance or legitimacy of acting against Iran for its support for terrorism. Rather, their questions centered around the next UN resolution and how best to approach the next set of designations. The Elysee was interested in exploring with the United States ways to isolate Syria financially (though officials asked the U.S. side to keep that discussion out of MFA channels for now.) End summary.

Elysee on Iran

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¶2. (S) Treasury U/S Levey, A/S Rood, NEA Iran Director Barbara Leaf and delegation met on July 10 with Sarkozy Deputy Diplomatic Advisor Damien Loras and Elysee Counselor for Strategic Affairs Francois Richier. Loras and Richier were receptive to arguments for going after the IRGC as a means of putting pressure on Iran. However they wondered whether, when putting the case to Russia and others, it would be wise to use both terrorism-related and proliferation arguments presented by the U.S. side, or rather to focus on the latter. Claims that the Iranians were supplying the Taliban might provoke push-back from Russia in particular, Richier noted.

¶3. (S) Levey countered that incremental pressure on Iran from going after additional targets with direct links to the nuclear program would be low, since the high profile targets had already been designated. Going after the IRGC and IRGC-Qods Force (and entities owned and controlled by the IRGC) was an opportunity to broaden the pressure points on Iran. Moreover, it could open the door to additional banking sanctions, which had proven particularly effective in the case of Bank Sepah. Designation of Bank Melli, Bank Mellat, or the Central Bank of Iran could be particularly effective in changing minds in Tehran.

¶4. (S) Noting that their concern was on form rather than substance, Richier and Loras said the United States could expect strong support from France on sanctioning Iran in the weeks to

come. Moreover, the GOF thought elements suggested by the United States to date for the next Security Council resolution on Iran were actually "a bit weak" and that the language could be strengthened. But the key would be finding an appropriate balance to bring Russia and China along. To the extent possible, focusing on proliferation would help accomplish that.

15. (S) According to Richier and Loras, President Sarkozy had put the word out clearly within the GOF that France would also cooperate with the U.S. on additional measures outside Security Council channels. The GOF would, for tactical reasons, prefer to pursue such discussions within the EU only after the third UNSCR had been adopted and then expand from there, as they had done post-1747. Moving forward too quickly -- and conspicuously -- might give Russia and others a pretext for not moving forward with the kind of elements the United States and France would like to see in a Security Council resolution.

16. (S) Richier asked for U.S. impressions on how to encourage more cooperation from the Gulf state financial sectors, notably Dubai. Levey said the U.S. had pushed hard in Dubai, but had been told by officials there that it should be approached "as a last resort." Levey noted that with Iranian assets increasingly moving into that part of the world as a result of action elsewhere, it was creating a powerful argument for just such an approach to Dubai.

Syria
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17. (S) Richier used the occasion to say that the Elysee was looking to come up with a strategy for cutting Syria off from the international financial system should U.S. and EU efforts with Syria on Lebanon continue to fall on deaf ears. Given

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French fears about Damascus' continuing efforts to destabilize the Siniara government, the Elysee hoped to work with the United States to explore how best to put together a group of like-minded countries that could present Damascus with an "either/or" choice in following through on its obligations. (Note: Richier asked the U.S. side not to raise the issue at the MFA.)

MFA/MinFin Meeting
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18. (S) U/S Levey and A/S Rood reiterated Iran points in a subsequent meeting with MFA Political Director Araud and accompanying officials from the ministries of foreign affairs and finance. Araud noted that France had been working with the UK and "wanted as strong a resolution as possible." President Sarkozy had issued clear instructions to the government to work with the United States to that end. France was also prepared to work with the United States on sanctions outside the Security Council. Araud hoped that strong French cooperation would also help convince the U.S. Congress to stand down from efforts to go forward with the Iran Counter-proliferation Act.

19. (S) Responding to A/S Rood's presentation of evidence of Iranian military shipments to the Taliban, Araud said it would be helpful to open U.S. - French mil-mil intel channels in Afghanistan (where Araud said the United States shared intel with the UK, but not France). More generally, the GOF did not dispute evidence that the IRGC was engaged in sanctionable activities, but for political purposes discussion of Iranian ties to terror in Afghanistan and Iraq -- rather than a focus on proliferation -- risked "bringing other perspectives to the table." Araud was sympathetic to U/S Levey's point that high-profile proliferation targets had largely been exhausted, and said the GOF "in the coming days" would try to develop argumentation on new sanctions that could be effective with European partners. The GOF would also transmit to the United States intel on Bank Mellat that possibly implicated that institution in proliferation activities.

¶11. (S) Jean-Christophe Donnellier, Director of International Relations at the French Tresor, cautioned that going after banks, rather than individuals, would "put Italy and Germany's trading relations with Iran on the table." It would therefore be important to build a case progressively with those allies. Donnellier also noted the importance of ensuring that outstanding contracts are dealt with effectively when freezes are imposed.

Banque de France
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¶12. (S) In a tour d'horizon with Banque de France First Deputy Governor Jean-Paul Redouin, Banking Commission Secretary General Daniele Nouy and accompanying officials, U/S Levey indicated that additional Iranian banks in the near future could be put in the position of Bank Sepah. Although France had been "the model" for freezing the latter's assets quickly, elsewhere substantial amounts of Sepah money in the days before and immediately after adoption of the resolution had gone to Iranian Central Bank accounts. It would be important to be vigilant. Banking Commission Director Edouard Fernandez-Bollo noted that despite France's quick action on Sepah, the bank had in fact succeeded in moving assets out of France (though he was unable to say where and did not provide a figure).

¶13. (S) The French side asked U/S Levey about standards for allowing payments to third parties, noting that establishing clear procedures could help to make sanctions more easily enforceable. The officials also raised questions related to revolving facilities and the use of repatriated funds to pay out prior contracts.

¶14. (U) U/S Levey has cleared this cable.

STAPLETON